

**St. George Housing Authority**

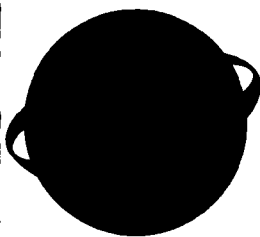
**Independent Auditors' Reports, Management's  
Discussion and Analysis, and Supplemental  
Information**

**For the years ended June 30, 2005 and 2004**

# **St. George Housing Authority**

## **Table of Contents**

<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis</b>	4-10
<b>Basic Financial Statements</b>	
Balance Sheets	12-13
Statements of Revenues, Expenses and Changes in Net Assets	14
Statements of Cash Flows	15-16
Notes to Financial Statements	17-22
<b>Supplementary Information</b>	
Financial Data Schedule I – Balance Sheet	24-25
Financial Data Schedule II – Statement of Revenues, Expenses, and Changes in Net Assets	26-28
Notes to Financial Data Schedules	29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	33-34
Schedule of Findings and Questioned Costs	35-36
Schedule of Findings and Questioned Costs - Prior Year	37
Auditors' Report on State Legal Compliance	38



# Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA  
Marty D. Van Wagoner, CPA  
J. Russ Bradshaw, CPA  
William R. Denney, CPA  
Roger B. Kennard, CPA  
Scott L. Farnes

## Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the accompanying financial statements of the business-type activities and each major fund of the St. George Housing Authority (the Authority), as of and for the years ended June 30, 2005 and 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

1284 W. Flint Meadow Dr. #D  
Kaysville, UT 84037-9590  
Telephone 801.927.1337  
Facsimile 801.927.1344

5296 S. Commerce Dr. #300  
(53rd So. @ I-15)  
SLC, UT 84107-5370  
Telephone 801.281.4700  
Facsimile 801.281.4701

Suite B, 4F,  
North Cape Commercial Bldg.  
388 King's Road  
North Point, Hong Kong

Board of Commissioners  
St. George Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit for the year ended June 30, 2005.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II and related notes on pages 24 through 29 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended June 30, 2005. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Child, Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, Utah  
January 10, 2006

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

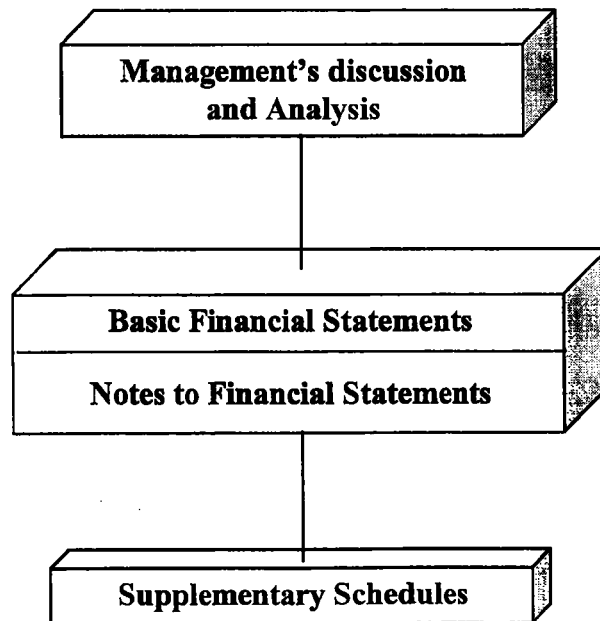
**St. George Housing Authority  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2005**

**INTRODUCTION**

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the City of St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD, and pass through awards through other state and local government agencies. The Authority is governed by a six-member board of commissioners, which is appointed by the Mayor of the City of St. George. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2005 (FY2005), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2005 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**St. George Housing Authority  
Management's Discussion and Analysis (MD&A) (continued)  
Year Ended June 30, 2005**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

### **FINANCIAL HIGHLIGHTS**

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2005 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$5,454 as of June 30, 2005, from the prior year.
- The increase in cash and cash equivalents for the year was \$5,554.
- The increase in accounts receivable-HUD for the year was \$10,749.
- The increase in accounts payable for the year was \$11,580.
- Accrued compensated absences increased \$6,585 during the year.

### **AUTHORITY FINANCIAL STATEMENTS**

The Authority is presenting its FY2005 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.

**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2005**

- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents several different programs and activities. Most of these programs are financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2005, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 30) make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.
- *Grant Programs* – These programs account for HUD grant funds received for the following activities: Public Housing, HOPWA and Emergency Shelter Grants.
- *Capital Fund Program* – This program uses HUD capital contributions to fund new construction, major improvements to existing properties and operating expenditures authorized by HUD.



**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2005**

**Net Assets**

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

**St. George Housing Authority**  
**Balance Sheet**

	2005	2004	Total Percentage Change
Current assets	\$ 396,967	\$ 380,341	4.4%
Restricted deposits	5,125	5,100	0.5%
Fixed assets, net of depreciation	1,062,933	1,068,501	(0.5%)
Total assets	1,465,025	1,453,942	0.8%
Current liabilities	77,143	77,480	(0.4%)
Deposits and prepaid liabilities	5,125	5,100	0.5%
Non-current liabilities	61,783	55,842	10.6%
Total liabilities	144,051	138,422	4.1%
Net assets:			
Invested in capital assets	1,017,543	1,022,184	(0.5%)
Unrestricted net assets	303,431	293,336	3.4%
Total net assets	\$ 1,320,974	\$ 1,315,520	0.4%

The Authority's total assets at June 30, 2005 were \$1,465,025.

***Accounts Receivable-HUD***

Total accounts receivable-HUD increased by \$10,749, or 312.2% as of June 30, 2005 compared with June 30, 2004. The primary source of the increase was due to the Authority's request for funds for the Capital Fund program.

***Accounts Payable***

Total accounts payable increased by \$11,580, or 449.0% as of June 30, 2005 compared with June 30, 2004. The primary source of the increase was due to the Authority's inability to pay vendors with funds that had been requested from HUD but not yet received.

**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2005**

**Net Assets**

The Authority's net assets increased by \$5,455, or 0.4%, during FY2005. At June 30, 2005, investments in capital assets comprise about 73% of the Authority's total assets, while these assets carry related current and long-term debt of approximately \$45,390 that is about 32% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 77% of total net assets.

**Revenues, Expenses and Changes in Net Assets**

The results of operations for the Authority are presented below:

**St. George Housing Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**

	2005	2004	Increase/(Decrease)	
			Amount	Percentage
Operating revenues:				
Dwelling rentals	\$ 69,814	\$ 66,434	\$ (3,028)	(4.6%)
HUD PHA operating grants	1,148,741	1,192,006	(43,265)	(3.6%)
HUD capital grants	55,523	-	55,523	100.0%
Other government grants	17,106	18,764	(1,658)	(8.8%)
Other operating revenue	29,170	53,135	(23,965)	(45.1%)
Total operating revenues	1,313,946	1,330,339	(16,393)	
Operating expenses:				
Administration	202,303	193,193	9,110	4.7%
Utilities	11,659	11,278	381	3.4%
Operating and maintenance	51,197	48,631	2,566	5.3%
Insurance	8,424	7,098	1,326	18.7%
General expenditures	30,862	48,231	(17,370)	(36.0%)
Housing assistance payments	944,778	957,487	(12,709)	(1.3%)
Depreciation	59,297	56,457	2,840	5.0%
Total operating expenses	1,308,520	1,322,375	(13,856)	
Operating income	5,426	7,964	(2,537)	
Nonoperating revenues/(expenses):				
Interest income	2,319	1,457	862	59.2%
Interest expense	(2,291)	(2,547)	(256)	(10.1%)
Nonoperating expenses, net	28	(1,090)	1,118	
Change in net assets	\$ 5,454	\$ 6,874	\$ (1,419)	

**St. George Housing Authority**  
**Management's Discussion and Analysis (continued)**  
**Year Ended June 30, 2005**

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2005, the Authority's revenues for its activities totaled \$1,313,946. Of this total, \$1,148,741, or about 87%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$1,308,520, of which \$944,778, or about 72%, was housing assistance payments.

About 0.2% of the Authority's total revenues in FY2005 were nonoperating revenues that are derived from interest income. The remaining 99.8% were operating revenues derived from dwelling rentals (4.8%), HUD PHA operating revenues (87.3%), HUD capital grants (4.2%), other government grants (1.3%), and other operating revenues (2.2%).

About 0.2% of the Authority's total expenses in FY2005 were nonoperating expenses that are derived from interest expense. The remaining 99.8% were operating expenses derived from administration (15.4%), utilities (0.9%), operating and maintenance (3.9%), insurance (0.6%), general expenditures (2.4%), housing assistance payments (72.1%), and depreciation (4.5%).

Increase in net assets for the year ended June 30, 2005 was \$5,454 compared with an increase of \$6,874 for the year ended June 30, 2004.

**CAPITAL ASSETS**

The Authority's capital assets as of June 30, 2005, included land, buildings, furniture and equipment, leasehold improvements, and construction in progress that totaled \$1,786,949, most of which comprises rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, decreased \$5,568 from the preceding year.

	2005	2004	Change
Land	\$ 72,181	\$ 72,181	\$ -
Buildings	1,354,870	1,331,484	23,386
Furniture and equipment	5,482	5,482	-
Leasehold improvements	284,629	263,091	21,538
Construction in progress	69,787	60,981	8,806
Accumulated depreciation	(724,016)	(664,718)	(59,298)
Total	<u>\$ 1,062,933</u>	<u>\$1,068,501</u>	<u>\$ (5,568)</u>

**St. George Housing Authority  
Management's Discussion and Analysis (continued)  
Year Ended June 30, 2005**

**CONTACTING AUTHORITY MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, St. George Housing Authority, 975 North 1725 West, St. George, UT 84770.

**BASIC FINANCIAL STATEMENTS**

**St. George Housing Authority  
Balance Sheet**

		June 30,	
		<u>2005</u>	<u>2004</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash - unrestricted (Note 2)		\$ 377,425	\$ 371,871
Accounts receivable-HUD		14,192	3,443
Accounts receivable-other		2,071	2,123
Accrued interest receivable		433	192
Prepaid expenses		2,846	2,712
Total current assets		<u>396,967</u>	<u>380,341</u>
<b>Restricted deposits:</b>			
Cash-tenants' security deposits (note 2)		<u>5,125</u>	<u>5,100</u>
Total restricted deposits		5,125	5,100
<b>Fixed assets:</b>			
Land		72,181	72,181
Buildings		1,354,870	1,331,484
Furniture and equipment		5,482	5,482
Leasehold improvements		284,629	263,091
Construction in progress		69,787	60,981
Total fixed assets		<u>1,786,949</u>	<u>1,733,219</u>
Less: accumulated depreciation		<u>(724,016)</u>	<u>(664,718)</u>
Net fixed assets		1,062,933	1,068,501
 <b>Total assets</b>		 <u><u>\$ 1,465,025</u></u>	 <u><u>\$ 1,453,942</u></u>

See accompanying notes to basic financial statements.

	June 30,	
	2005	2004
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 14,159	\$ 2,579
Accounts payable-HUD	48,276	58,438
Accrued payroll	3,429	4,897
Accrued interest payable	189	193
Accrued compensated absences, current portion	10,169	10,449
Mortgages payable, current portion (Note 3)	921	924
Total current liabilities	77,143	77,480
Deposits and prepaid liabilities:		
Tenants' security deposits	5,125	5,100
Non-current liabilities:		
Mortgages payable, less current portion (Note 3)	44,469	45,393
Accrued compensated absences, non-current	17,314	10,449
Total non current portion	61,783	55,842
Total liabilities	144,051	138,422
Net Assets		
Invested in capital assets, net of related debt	1,017,543	1,022,184
Restricted net assets		
Unrestricted net assets	303,431	293,336
Total net assets	1,320,974	1,315,520
Total liabilities and net assets	\$ 1,465,025	\$ 1,453,942

**St. George Housing Authority**  
**Statement of Revenues, Expenses,**  
**and Changes in Net Assets**

	<b>Year Ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
Operating revenues:		
Dwelling rentals	\$ 69,814	\$ 66,434
HUD PHA operating grants	1,148,741	1,192,006
HUD capital grants	55,523	-
Other government grants	17,106	18,764
Other operating revenues	22,762	53,135
Total operating revenues	<u>1,313,946</u>	<u>1,330,339</u>
Operating expenses:		
Administration	202,303	193,193
Utilities	11,659	11,278
Ordinary maintenance and operations	51,197	48,631
Insurance	8,424	7,098
General expenditures	30,861	48,231
Housing assistance payments	944,778	957,487
Depreciation	59,298	56,457
Total operating expenses	<u>1,308,520</u>	<u>1,322,375</u>
Operating income	5,426	7,964
Non-operating revenues (expenses):		
Interest income	2,319	1,457
Interest expense	(2,291)	(2,547)
Non-operating revenues (expenses)	<u>28</u>	<u>(1,090)</u>
Change in net assets	5,454	6,874
Net assets at beginning of year	1,315,520	1,308,646
Net assets at end of year	<u>\$ 1,320,974</u>	<u>\$ 1,315,520</u>

See accompanying notes to basic financial statements.



**St. George Housing Authority**  
**Statement of Cash Flows**

	Year Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Dwelling rentals	\$ 69,814	\$ 66,434
HUD PHA operating grants	1,148,741	1,188,563
HUD capital grants	44,774	-
Other government grants	17,106	30,764
Other operating revenues	22,815	48,719
Interest income	2,078	-
Total receipts	<u>1,305,328</u>	<u>1,334,480</u>
Administration	(185,740)	(201,389)
Utilities	(11,659)	(11,278)
Ordinary maintenance and operations	(51,197)	(46,621)
Insurance	(8,424)	(7,098)
General expenditures	(30,862)	(48,231)
Housing assistance payments	(954,940)	(1,003,006)
Interest expense	(2,295)	-
Total disbursements	<u>(1,245,117)</u>	<u>(1,317,623)</u>
Net cash provided by operating activities	60,211	16,857
Cash flows from investing activities:		
Purchase of fixed assets	(53,730)	(40,840)
Net cash used in investing activities	<u>(53,730)</u>	<u>(40,840)</u>
Cash flows from noncapital financing activities:	-	-
Cash flows from capital financing activities:		
Principal payments on long-term debt	(927)	(880)
Net cash used in capital financing activities	<u>(927)</u>	<u>(880)</u>
Net increase (decrease) in cash and cash equivalents	5,554	(24,863)
Cash and cash equivalents at beginning of year	371,871	396,734
Cash and cash equivalents at end of year	<u>\$ 377,425</u>	<u>\$ 371,871</u>

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Statement of Cash Flows (continued)**

	Year Ended June 30,	
	2005	2004
Reconciliation of operating loss to net cash provided by operating activities:		
Change in net assets	\$ 5,454	\$ 6,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,298	56,457
(Increase) decrease in:		
Accounts receivable-HUD	(10,749)	(3,443)
Accounts receivable-other	52	7,584
Accrued interest receivable	(241)	(192)
Prepaid expenses	(134)	(689)
Cash-tenants' security deposits	(25)	(150)
Increase (decrease) in:		
Accounts payable	11,580	(7,507)
Accounts payable-HUD	(10,162)	(45,519)
Accrued payroll	(1,468)	1,577
Accrued interest payable	(4)	193
Accrued compensated absences	6,585	1,522
Tenants' security deposits	25	150
Net cash provided by operating activities	<u>\$ 60,211</u>	<u>\$ 16,857</u>

See accompanying notes to basic financial statements.

**St. George Housing Authority**  
**Notes to Financial Statements**  
**June 30, 2005 and 2004**

**1. Summary of Significant Accounting Policies**

**Organization and History**

The St. George Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the St. George, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies.

**Financial Reporting Entity**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of St. George (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

**Basis of Presentation**

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

**Financial Reporting Model**

In June 1999, the GASB issued Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments."* This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets.

The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**June 30, 2005 and 2004**

**1. Summary of Significant Accounting Policies (Continued)**

**Management's Discussion and Analysis (new in the current year)** – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

**Balance Sheet** – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

**Statement of Cash Flows** – The direct method is required by GASB Statement No. 34.

**Basis of Accounting**

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

**Cash and Cash Equivalents**

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2005 and 2004 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits.

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**June 30, 2005 and 2004**

**1. Summary of Significant Accounting Policies (Continued)**

**Fixed Assets**

Fixed assets are carried at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5-40 years. Construction in progress commences depreciation when the asset is complete. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and improvements are capitalized as fixed assets.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Deposits**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of June 30, 2005 and 2004, \$109,210 and \$103,861 of the Authority's bank balances of \$391,885 and \$398,022 were uninsured and uncollateralized, respectively.

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**June 30, 2005 and 2004**

**3. Long-Term Debt**

**Mortgage Payable**

The mortgage payable is due to the Utah State Division of Finance in the amount of \$45,390. The note bears an interest rate of 5% per annum with monthly payments of \$268. The note is collateralized by the land and building. The note is due June, 2031.

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 921	\$ 2,295
2007	968	2,248
2008	1,018	2,198
2009	1,070	2,146
2010	1,124	2,092
2011-2015	6,545	9,535
2016-2020	8,400	7,680
2021-2025	10,780	5,300
2026-2030	13,835	2,245
2031	729	10
Total future maturities	<u>\$ 45,390</u>	<u>\$ 35,749</u>

**4. Retirement Plan**

The Authority contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by Utah Retirement Systems. Utah Retirement Systems provides retirement and survivor benefits to plan members and beneficiaries in accordance with retirement statutes.

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that include financial statements and required supplementary information for retirement plans administered by the Utah Retirement Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The Authority is legally obligated to contribute to the retirement systems as long as it has employees meeting membership requirements. The contribution rates are actuarially determined rates. The contribution rates in effect for the year ending June 30, 2005, and the two previous fiscal years, calculated on the applicable salary for the eligible employees are as follows:

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**June 30, 2005 and 2004**

**4. Retirement Plan (continued)**

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contribution Rates</u>
2005	N/A	N/A	11.09%
2004	N/A	N/A	9.62%
2003	N/A	N/A	8.69%

The contributions made by the Authority for the year ended June 30, 2005 and 2004 were paid by the due dates or within 30 days thereafter and were equal to the required contributions.

The required contributions and amounts received for the year ended June 30, 2005 and the two previous fiscal years are as follows:

<u>Year Ended June 30,</u>	<u>Employee Paid</u>	<u>Paid by Employer for Employee</u>	<u>Employer Contributions</u>	<u>Salary Subject to Retirement Contributions</u>
<b>Noncontributory System:</b>				
<b>Local Government Division:</b>				
2005	\$ -	\$ -	\$ 9,936	\$ 89,590
2004	\$ -	\$ -	\$ 7,953	\$ 82,667
2003	\$ -	\$ -	\$ 8,093	\$ 93,128
<b>Defined Contribution System:</b>				
<b>401 (K) Plan:</b>				
2005	\$ 3,940	\$ 3,503		
2004	\$ 3,120	\$ 4,447		
2003	\$ 2,700	\$ 5,583		

**5. Economic Dependency**

A majority of the revenues received by the Authority come from HUD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

**6. Risk Management and Concentrations of Credit Risk**

The Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**St. George Housing Authority**  
**Notes to Financial Statements (continued)**  
**June 30, 2005 and 2004**

**6. Risk Management and Concentrations of Credit Risk (continued)**

The Authority's customers are primarily low-income rental tenants in the St. George, Utah area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

**7. Changes in Fixed Assets**

	Balance 06/30/04	Additions	Retirements	Balance 06/30/05
Land	\$ 72,181	\$ -	\$ -	\$ 72,181
Buildings	1,331,484	23,386	-	1,354,870
Furniture and Equipment	5,482	-	-	5,482
Leasehold Improvements	263,091	21,538	-	284,629
Construction in Progress	60,981	8,806	-	69,787
Total Fixed Assets	1,733,219	53,730	-	1,786,949
Accumulated Depreciation	(664,718)	(59,298)	-	(724,016)
Net Fixed Assets	<u>\$ 1,068,501</u>	<u>\$ (5,568)</u>	<u>\$ -</u>	<u>\$ 1,062,933</u>

**8. Interprogram Eliminations**

The Authority has interprogram receivables and payables at years ended June 30, 2005 and 2004 of \$3,428 and \$7,348, respectively, that have been eliminated on the basic financial statements.



**Supplementary Information**

**St. George Housing Authority**  
**Financial Data Schedule I – Balance Sheet**  
**June 30, 2005**

PHA: UT021 FYED: 06/30/2005

Line Item No.	Account Description	Business Activities	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$48,253	\$0	\$0	\$122,528	\$208,644	\$0	\$377,425
114	Cash - Tenant Security Deposits	\$0	\$0	\$0	\$5,125	\$0	\$0	\$5,125
100	Total Cash	\$48,253	\$0	\$0	\$127,653	\$208,644	\$0	\$382,550
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$14,192	\$14,192
124	Accounts Receivable - Other Government	\$0	\$350	\$637	\$0	\$0	\$0	\$987
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$1,084	\$0	\$1,084
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$405	\$28	\$0	\$433
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$350	\$637	\$405	\$1,112	\$14,192	\$18,686
142	Prepaid Expenses and Other Assets	\$164	\$0	\$0	\$784	\$1,918	\$0	\$2,846
144	Interprogram Due From	\$0	\$0	\$0	\$3,248	\$0	\$0	\$3,248
150	Total Current Assets	\$48,417	\$350	\$637	\$132,070	\$209,674	\$14,192	\$405,340
161	Land	\$15,000	\$0	\$0	\$57,181	\$0	\$0	\$72,181
162	Buildings	\$154,794	\$0	\$0	\$1,200,076	\$0	\$0	\$1,354,870
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$0	\$5,482	\$0	\$5,482
165	Leasehold Improvements	\$0	\$0	\$0	\$284,629	\$0	\$0	\$284,629
166	Accumulated Depreciation	\$-28,379	\$0	\$0	\$-692,165	\$-3,472	\$0	\$-724,016
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$99,787	\$99,787
160	Total Fixed Assets, Net of Accumulated Depreciation	\$141,415	\$0	\$0	\$849,721	\$2,010	\$99,787	\$1,062,933
180	Total Non-Current Assets	\$141,415	\$0	\$0	\$849,721	\$2,010	\$99,787	\$1,062,933
190	Total Assets	\$189,832	\$350	\$637	\$981,791	\$211,684	\$83,979	\$1,468,273

**St. George Housing Authority**  
**Financial Data Schedule I – Balance Sheet (continued)**  
**June 30, 2005**

PHA: UT021 FYED: 06/30/2005									
Line Item No.	Account Description	Business Activities	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total	
312	Accounts Payable <= 90 Days	\$210	\$0	\$0	\$1,702	\$1,727	\$10,520	\$14,159	
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$0	\$3,429	\$0	\$3,429	
322	Accrued Compensated Absences - Current Portion	\$629	\$0	\$0	\$2,663	\$6,877	\$0	\$10,169	
325	Accrued Interest Payable	\$189	\$0	\$0	\$0	\$0	\$0	\$189	
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$48,276	\$0	\$48,276	
341	Tenant Security Deposits	\$0	\$0	\$0	\$5,125	\$0	\$0	\$5,125	
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$921	\$0	\$0	\$0	\$0	\$0	\$921	
347	Interprogram Due To	\$0	\$0	\$0	\$0	\$3,248	\$0	\$3,248	
310	Total Current Liabilities	\$1,949	\$0	\$0	\$9,490	\$63,557	\$10,520	\$85,516	
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$44,469	\$0	\$0	\$0	\$0	\$0	\$44,469	
354	Accrued Compensated Absences - Non Current	\$1,071	\$0	\$0	\$4,534	\$11,709	\$0	\$17,314	
350	Total Noncurrent Liabilities	\$45,540	\$0	\$0	\$4,534	\$11,709	\$0	\$61,783	
300	Total Liabilities	\$47,489	\$0	\$0	\$14,024	\$75,266	\$10,520	\$147,289	
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
508.1	Invested in Capital Assets, Net of Related Debt	\$96,025	\$0	\$0	\$849,721	\$2,010	\$69,787	\$1,017,543	
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
512.1	Unrestricted Net Assets	\$46,318	\$350	\$637	\$118,046	\$134,408	\$3,672	\$303,431	
513	Total Equity/Net Assets	\$142,343	\$350	\$637	\$987,767	\$136,418	\$73,459	\$1,320,974	
600	Total Liabilities and Equity/Net Assets	\$189,832	\$350	\$637	\$981,791	\$211,684	\$85,979	\$1,468,273	

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Year Ended June 30, 2005**

PHA: UT021 FYED: 06/30/2005

Line Item No.	Account Description	Business Activities	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$13,810	\$0	\$0	\$49,598	\$0	\$0	\$63,406
704	Tenant Revenue - Other	\$110	\$0	\$0	\$6,298	\$0	\$0	\$6,408
705	Total Tenant Revenue	\$13,920	\$0	\$0	\$55,894	\$0	\$0	\$69,814
706	HUD PHA Operating Grants	\$0	\$0	\$0	\$34,877	\$1,099,231	\$14,633	\$1,148,741
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$55,523	\$55,523
708	Other Government Grants	\$0	\$10,000	\$7,106	\$0	\$0	\$0	\$17,106
711	Investment Income - Unrestricted	\$220	\$0	\$0	\$909	\$1,190	\$0	\$2,319
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$2,491	\$0	\$2,491
715	Other Revenue	\$0	\$0	\$0	\$6,909	\$13,362	\$0	\$20,271
700	Total Revenue	\$14,140	\$10,000	\$7,106	\$98,589	\$1,116,274	\$70,156	\$1,316,265

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended June 30, 2005**

PHA: UT021 FYED: 06/30/2005															
Line Item No.	Account Description	Business Activities	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total							
911	Administrative Salaries	\$4,928	\$0	\$0	\$13,214	\$69,151	\$0	\$87,293							
912	Auditing Fees	\$360	\$0	\$0	\$1,800	\$5,040	\$0	\$7,200							
914	Compensated Absences	\$127	\$0	\$0	\$1,444	\$5,014	\$0	\$6,585							
915	Employee Benefit Contributions - Administrative	\$1,556	\$0	\$0	\$6,862	\$24,875	\$0	\$33,293							
916	Other Operating - Administrative	\$98	\$0	\$0	\$6,613	\$42,810	\$14,633	\$64,154							
924	Tenant Services - Other	\$0	\$0	\$0	\$3,780	\$0	\$0	\$3,780							
931	Water	\$533	\$0	\$0	\$2,840	\$0	\$0	\$3,373							
932	Electricity	\$49	\$0	\$0	\$696	\$0	\$0	\$745							
933	Gas	\$174	\$0	\$0	\$898	\$0	\$0	\$1,072							
938	Other Utilities Expense	\$41	\$0	\$0	\$6,428	\$0	\$0	\$6,469							
942	Ordinary Maintenance and Operations - Materials and Other	\$2,719	\$0	\$0	\$5,758	\$0	\$961	\$9,438							
943	Ordinary Maintenance and Operations - Contract Costs	\$3,551	\$0	\$0	\$34,414	\$3,776	\$0	\$41,741							
961	Insurance Premiums	\$649	\$0	\$0	\$3,345	\$4,430	\$0	\$8,424							
962	Other General Expenses	\$0	\$10,000	\$7,106	\$0	\$13,771	\$0	\$30,877							
967	Interest Expense	\$2,291	\$0	\$0	\$0	\$0	\$0	\$2,291							
969	Total Operating Expenses	\$17,076	\$10,000	\$7,106	\$89,082	\$168,867	\$15,594	\$308,735							
970	Excess Operating Revenue over Operating Expenses	\$2,936	\$0	\$0	\$10,497	\$947,407	\$54,562	\$1,009,530							
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$944,778	\$0	\$944,778							
974	Depreciation Expense	\$5,160	\$0	\$0	\$53,041	\$1,097	\$0	\$59,298							
900	Total Expenses	\$22,236	\$10,000	\$7,106	\$141,133	\$1,114,742	\$15,594	\$1,310,811							
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0							
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$-8,096	\$0	\$0	\$-42,544	\$1,532	\$54,562	\$5,454							

**St. George Housing Authority**  
**Financial Data Schedule II – Statement of Revenues, Expenses**  
**and Changes in Net Assets (continued)**  
**Year Ended June 30, 2005**

PHA: UT021 FYED: 06/30/2005

Line Item No.	Account Description	Business Activities	Emergency Shelter Grants Program	Housing Opportunities for Persons with AIDS	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1102	Debt Principal Payments - Enterprise Funds	\$926	\$0	\$0	\$0	\$0	\$0	\$926
1103	Beginning Equity	\$150,439	\$0	\$0	\$968,227	\$135,873	\$60,981	\$1,315,520
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$350	\$637	\$42,084	\$-987	\$-42,084	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$1,156,604	\$0	\$1,156,604
1114	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$301,358	\$0	\$301,358
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$1,457,962	\$0	\$1,457,962
1120	Unit Months Available	24	0	0	360	2,928	0	3,312
1121	Number of Unit Months Leased	22	0	0	360	2,868	0	3,250

**St. George Housing Authority**  
**Notes to Financial Data Schedule**  
**Year Ended June 30, 2005**

**1. Basis of Presentation**

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

**2. Reconciliation to Basic Financial Statements**

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	<u>Total assets</u>	<u>Total liabilities</u>	<u>Total equity</u>	<u>Net income</u>
Balances per Financial Data Schedules	\$1,468,273	147,299	1,320,974	5,454
Elimination of interprogram balances	<u>(3,248)</u>	<u>(3,248)</u>	<u>-</u>	<u>-</u>
Balances per basic financial statements	<u>\$1,465,025</u>	<u>144,051</u>	<u>1,320,974</u>	<u>5,454</u>

**St. George Housing Authority  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005**

<u>Federal Assistance Programs Agency/Program Grant Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing &amp; Urban Development (HUD)</b>		
<b>Direct Programs:</b>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,099,231
Public Housing Operating Subsidy	14.850	34,877
Public Housing Capital Funds	14.872	70,156
<b>Passed Through from the Utah State Department of Community and Economic Development:</b>		
Housing Opportunities for Persons With AIDS	14.241	7,106
Emergency Shelter Grants Program	14.231	<u>10,000</u>
Total expenditures of federal awards		<u>\$ 1,221,370</u>



**St. George Housing Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2005**

**1. Scope of Audit Pursuant to OMB Circular A-133**

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

**2. Basis of Presentation**

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the June 30, 2005 financial statements of the Authority. The Authority reports to HUD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

**3. Contingencies**

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.



# Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA  
Marty D. Van Wagoner, CPA  
J. Russ Bradshaw, CPA  
William R. Denney, CPA  
Roger B. Kennard, CPA  
Scott L. Farnes

## Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the financial statements of the St. George Housing Authority (the Authority) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 10, 2006. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

1284 W. Flint Meadow Dr. #D  
Kaysville, UT 84037-9590  
Telephone 801.927.1337  
Facsimile 801.927.1344

5296 S. Commerce Dr. #300  
(53rd So. @ I-15)  
SLC, UT 84107-5370  
Telephone 801.281.4700  
Facsimile 801.281.4701

Suite B. 4F,  
North Cape Commercial Bldg.  
388 King's Road  
North Point, Hong Kong

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Child Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, Utah  
January 10, 2006



# Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA  
Marty D. Van Wagoner, CPA  
J. Russ Bradshaw, CPA  
William R. Denney, CPA  
Roger B. Kennard, CPA  
Scott L. Farnes

## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

### Compliance

We have audited the compliance of the St. George Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we

1284 W. Flint Meadow Dr. #D  
Kaysville, UT 84037-9590  
Telephone 801.927.1337  
Facsimile 801.927.1344

5296 S. Commerce Dr. #300  
(53rd So. @ I-15)  
SLC, UT 84107-5370  
Telephone 801.281.4700  
Facsimile 801.281.4701

Suite B. 4F,  
North Cape Commercial Bldg.  
388 King's Road  
North Point, Hong Kong

considered the Authority's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Commissioners  
St. George Housing Authority

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Child Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, Utah  
January 10, 2006

**St. George Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**SECTION I - Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued:      Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?             Yes        X   No
  
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?             Yes        X   None reported

Non compliance material to financial  
statements noted?             Yes        X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?             Yes        X   No
  
- Reportable condition(s) identified  
that are not considered to be material  
weaknesses?             Yes        X   None reported

Type of auditors' report issued on compliance for major programs:      Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133?             Yes        X   No

Identification of major programs?

CFDA Number(s)  
14.871

Name of Federal Program or Cluster  
Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish  
between type A and type B programs:      \$ 300,000

Auditee qualified as low-risk auditee?        X   Yes             No

**St. George Housing Authority**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended June 30, 2005**

**Section II-Financial Statement Findings and Questioned Costs**

No matters were reported for the year ended June 30, 2005.

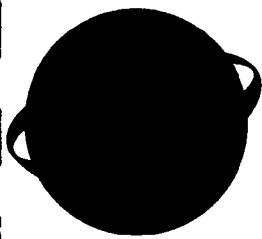
**Section III-Federal Award Findings and Questioned Costs**

No matters were reported for the year ended June 30, 2005.

**St. George Housing Authority  
Schedule of Findings and Questioned Costs - Prior Year  
Year Ended June 30, 2005**

No matters were reported for the fiscal year ended June 30, 2004.





# Child, Van Wagoner & Bradshaw, PLLC

Douglas W. Child, CPA  
Marty D. Van Wagoner, CPA  
J. Russ Bradshaw, CPA  
William R. Denney, CPA  
Roger B. Kennard, CPA  
Scott L. Farnes

## St. George Housing Authority Independent Auditors' Report on State Legal Compliance Year Ended June 30, 2005

Board of Commissioners  
St. George Housing Authority  
St. George, Utah

We have audited the financial statements of the St. George Housing Authority (the Authority), for the year ended June 30, 2005, and have issued our report thereon dated January 10, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management  
Other Compliance Requirements

The Authority did not receive any major or non-major State grants during the year ended June 30, 2005.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended June 30, 2005.

*Child Van Wagoner & Bradshaw*

Child, Van Wagoner, & Bradshaw, PLLC  
Kaysville, UT  
January 10, 2006

1284 W. Flint Meadow Dr. #D  
Kaysville, UT 84037-9590  
Telephone 801.927.1337  
Facsimile 801.927.1344

5296 S. Commerce Dr. #300  
(53rd So. @ I-15)  
SLC, UT 84107-5370  
Telephone 801.281.4700  
Facsimile 801.281.4701

Suite B. 4F,  
North Cape Commercial Bldg.  
388 King's Road  
North Point, Hong Kong